

## ELECTRONIC FUND TRANSFERS

### OVERVIEW

The Electronic Fund Transfer Act (EFTA) provides a basic framework establishing the rights, liabilities, and responsibilities of participants in electronic fund transfer (EFT) systems. The Federal Reserve Board's Regulation E provides protection of the rights of consumers in their dealings with these systems.

### Examination Objective(s)

The objectives of the examination are to:

- Determine whether the financial institution offers EFT services
- Determine whether the financial institution's policies and practices are in compliance with the Federal Reserve Board's Regulation E

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### DEFINITION(S)

#### Access Device

A card, code, or other means of access to a consumer's account, or any combination thereof, that may be used by the consumer to initiate electronic fund transfers.

*Refer* to Section 205.2(a)(2) of Regulation E to determine when an access device becomes an accepted access device.

**DEFINITION(S)**  
**(cont'd)**

**Account**

An account is a demand deposit (checking), savings, or other consumer asset account held by a financial institution and established primarily for personal, family, or household purposes.

**Business Day**

Any day on which the offices of the consumer's financial institution are open to the public for carrying on substantially all business functions.

For further clarification, see the Federal Reserve Board's EFTs Official Staff Interpretations, No. EFT-2.

**Electronic Fund  
Transfer (EFT)**

An electronic fund transfer is a transfer of funds initiated through an electronic terminal, telephone, computer, or magnetic tape that instructs a financial institution to either credit or debit a consumer's asset account.

Examples of EFT services may include:

- Automated teller machine (ATM) transfers
- Direct deposits or withdrawals of funds
- Transfers initiated by telephone
- Point-of-sale (POS) terminal transfers
- Transfers resulting from debit card transactions

*NOTE: Certain electronic fund transfers, such as any wire transfer of funds for a consumer through the Federal Reserve Communications System or other similar network that is used primarily for transfers between financial institutions or between businesses, are not covered by the EFTA.*

Refer to Section 205.3 of Regulation E for a complete listing of exempt transactions.

**Electronic  
Terminal**

An electronic device, other than a telephone operated by a consumer, through which a consumer may initiate an electronic fund transfer. The term includes, but is not limited to, point-of-sale terminals, automated teller machines, and cash dispensing machines.

**DEFINITION(S)**  
**(cont'd)**

An electronic fund transfer authorized in advance to recur at substantially regular intervals.

**Preauthorized  
Electronic Fund  
Transfer**

**Unauthorized  
EFT**

"Unauthorized electronic fund transfer" means an electronic fund transfer from a consumer's account initiated by a person other than the consumer without actual authority to initiate the transfer and from which the consumer receives no benefit. The term does not include any electronic fund transfer (1) initiated by a person who was furnished with the access device to the consumer's account by the consumer, unless the consumer has notified the financial institution involved that transfers by that person are no longer authorized, (2) initiated with fraudulent intent by the consumer or any person acting in concert with the consumer, or (3) that is initiated by the financial institution or its employee.

**EXAMINATION  
PROCEDURES**

Evaluate for Compliance with Regulation E	
1.	Determine if access devices contain credit privileges in order to evaluate compliance with applicable portions of Truth in Lending. (205.12(a))
2.	For each type of EFT service provided, review items given to customers at the time an account is opened, or prior to the first EFT transaction, to determine that all required disclosures are furnished. (205.7)
3.	If the institution has changed the terms or conditions since the last examination that required a written notice to the customer, determine that the proper notice was provided in a timely manner. (205.8(a))

**EXAMINATION  
PROCEDURES  
(cont'd)**

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| 4. Obtain and review copies of the following: <ul style="list-style-type: none"><li>• Disclosure forms</li><li>• Account agreements</li><li>• Procedural manuals and written policies</li><li>• Merchant agreements</li><li>• Automated teller machine receipts and periodic statements</li><li>• Error resolution statements/files</li><li>• Form letters used in case of errors or questions concerning an EFT</li><li>• Any agreements with third parties allocating compliance responsibilities</li></ul> |
| 5. Test for compliance with written policies and internal controls while performing the examination procedures.   |
| 6. Review a sample of periodic account statements to determine that they contain sufficient information for the consumer to adequately identify transactions and that they otherwise comply with Regulation E. (205.9(b))   |
| 7. Review consumer complaints regarding EFT transactions to determine compliance with the error resolution procedures and to isolate any apparent deficiencies in the institution's operations. (205.11)  |
| 8. Review policies regarding liability for unauthorized electronic transfers. (205.6)   |
| 9. Ascertain whether these policies comply with the regulation and determine whether they are applied in practice. (205.11)<br><br><i>Refer to the definition of an unauthorized EFT under the Definitions area in this section of the manual.</i>  |
| 10. Review policies regarding issuance of access devices. Ascertain whether these policies comply with the requirements of the regulation. Interview responsible personnel to determine whether the financial institution appropriately applies such policies in practice. (205.5)  |

**EXAMINATION  
PROCEDURES  
(cont'd)**

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| 11. Review policies regarding preauthorized debits and credits. Ascertain whether these policies comply with the requirements of the regulation and determine whether they are applied in practice. (205.10) |
| 12. Determine that the financial institution does not require compulsory use of EFTs, except as authorized. (EFTA 913)   |
| 13. Determine that the financial institution is maintaining records of compliance for a period of not less than two years. (205.13(b)(1))  |

**WORKPAPER  
STANDARDS**

Appropriate workpapers must be completed when reviewing compliance with the EFTA. Refer to Standardized Workpapers, Appendix K, in this manual.



**FDIC LAW,  
REGULATIONS,  
& RELATED  
ACTS**

**Applicable Rules**

Consumer Credit Protection Act, Title IX – Electronic Fund Transfers, Volume 2, Page 6625

Federal Reserve Board's Electronic Fund Transfers Official Staff Interpretations, Volume 2, Page 7389

Regulation E (Part 205), Volume 2, Page 7361

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**Advisory  
Opinions**

Treatment of Electronic Debits Arising from Use of Automated Teller Machine Network and/or Debit Card (Point of Sale) Network When a Participating Bank Closes Prior to Final Settlement, Letter #87-59, Volume 1, Page 4296

Users' Rights Under the Electronic Funds Transfer Act in the Event of Bank Error Regarding an Electronic Wire Transfer, Letter #94-21, Volume 1, Page 4856

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**Statements of  
Policy**

Policy Statement to Address the Problem of the Use of Large-Value Funds Transfers for Money Laundering, Volume 2, Page 5371

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**DCA  
MEMORANDA**

Electronic Fund Transfer Act: Revision of Regulation E and Examination Procedures, Transmittal # DCA-95-046, dated 11/2/95

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**FINANCIAL  
INSTITUTION  
LETTERS (FIL)**

Interagency Statement Addressing Risks from Switches and Network Services in Retail EFT Systems, Letter #30-93, dated 4/29/93

Final Rule and Commentary Implementing the Electronic Fund Transfer Act and Request for Comment on Proposed Amendments to Regulation E, Letter #31-96, dated 5/28/96

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